

**Illinois Department of Revenue
Regulations**

Title 86 Part 100 Section 100.7090 Reciprocal Agreement (IITA Section 701)

TITLE 86: REVENUE

**PART 100
INCOME TAX**

Section 100.7090 Reciprocal Agreement (IITA Section 701)

- a) General rule. The Director may enter into an agreement with the taxing authorities of any state which imposes a tax on or measured by income to provide that compensation paid in such state to residents of Illinois shall be exempt from withholding of such tax; in such case, any compensation paid in Illinois to residents of such state shall be exempt from withholding of Illinois income tax. Pursuant to such reciprocal agreements, the employer in Illinois should, upon request by an employee residing in such other state, withhold tax on his compensation for the state of his residence. (See IITA Section 302(b) which provides for agreements exempting compensation of nonresidents from Illinois income tax.)

- b) Example. This section may be illustrated by the following example: A, a resident of Gary, Indiana, is employed by X Retail Clothing Store, an Illinois corporation, and works each day in Chicago at X's store as a sales clerk. A's wages are "compensation paid in Illinois" as defined in IITA Section 304(a)(2)(B). However, pursuant to a reciprocal agreement with the State of Indiana, A's compensation is not subject to withholding under the Illinois Income Tax Act. Accordingly, X Company is not required to withhold Illinois income tax on the compensation paid to A. However, X Company should, at A's request, withhold the Indiana income tax due on A's compensation pursuant to the Indiana withholding requirements on compensation paid to Indiana residents.